



# CALIFORNIA Economic Indicators

January-February 2009

## A Widespread Slowdown

The state and national economies suffered historic slumps.

### ■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Statistics on the national and state economies in November made it clear that both economies were in serious recessions. Troubles that began in housing and real estate had spread to nearly all other industry sectors. While the slump had its origins in housing and real estate troubles, nearly all industry sectors have been adversely affected. Statewide job losses had become broad-based. Both residential and nonresidential construction had slowed dramatically. The only ray of good news was a reduction in the average time needed to sell an existing single-family home—a tentative sign of the beginning of a thaw in real estate markets.

### EMPLOYMENT

#### Fewer jobs all around

California lost 41,700 nonfarm jobs in November 2008, the largest one-month loss since July 2002. Furthermore, the losses were widespread as only four of the state's 11 major industry sectors gained jobs. Educational and Health Services added 6,200 jobs; Information, 3,800; Other Services, 600; and Natural Resources and Mining, 200.

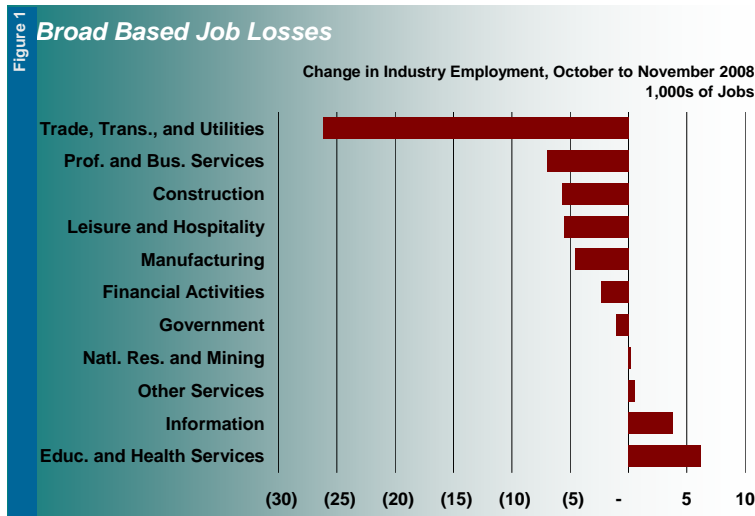
Job losses were led by the trade, transportation, and utilities sector, dropping 26,200 jobs—nearly all of them in retail trade. Elsewhere, professional and business services lost 7,000; construction, 5,700; leisure and hospitality, 5,500; manufacturing, 4,600; financial activities, 2,400; and government, 1,100.

The state's monthly job losses have grown as 2008 progressed. Through November, California lost 147,400 jobs, or 13,400 jobs per month, on average. But in the first five months of the year, the average monthly loss was 5,200 jobs, whereas in the most recent six months, the average loss was 20,300.

On a year-over-year basis, job losses were similarly broad-based with gains in only four major sectors. From November 2007 to November 2008, employment rose 55,000 in educational and health services; 14,800 in government; 6,000 in information; and 1,600 in natural resources and mining. Over the year, employment fell by 67,700 in construction; 65,800 in trade, transportation, and utilities; 32,500 in manufacturing; 28,300 in financial activities; 13,400 in professional and business services; 3,200 in other services; and 2,500 in leisure and hospitality. Overall, nonfarm payroll employment fell by 136,000, or 0.9 percent.

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**Only four industry sectors gained jobs in November 2008**

## Disappointing unemployment figures

California's unemployment rate rose 0.2 percentage point to 8.4 percent in November—the highest rate since August 1994—as the number of unemployed Californians grew by more than a half million from a year earlier. California's unemployment rate in November 2007 was 5.7 percent.

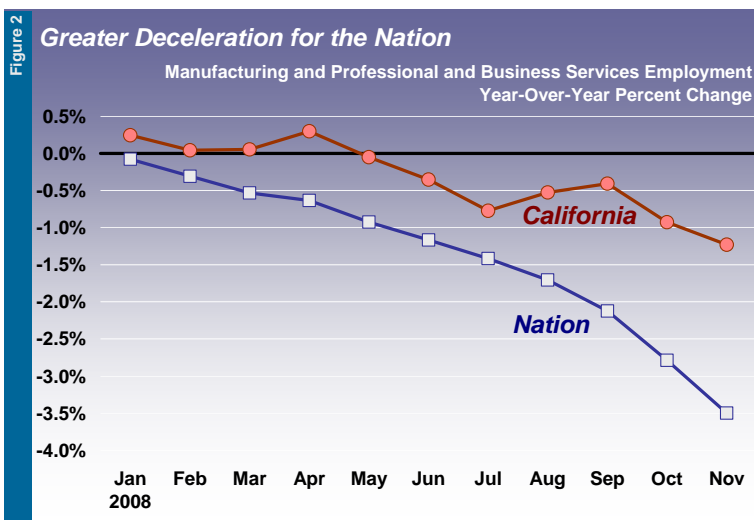
These results closely track the national economy. The US unemployment rate rose 0.2 percentage point to 6.7 in November, which was the nation's highest unemployment rate since October 1993. The number of unemployed grew 44 percent from November 2007 when the unemployment rate was 4.7 percent.

## California follows the nation

Throughout the first 11 months of 2008, California was pitted against the nation in an economic race to the bottom. The state was clearly ahead early in the year, but in the most recent months, the national employment picture deteriorated more dramatically than the state's. National nonfarm payroll employment fell by 533,000, or 0.34 percent, in November, its largest job loss since December 1974. California accounts for about 11 percent of the nation's nonfarm payroll jobs; if its percentage job loss had been the same as the nation's in November, it would have lost 58,700 jobs, rather than 41,700. During five out of the first seven months of 2008, the state accounted for significantly more than its share of monthly national job losses.

However, since job losses started ballooning in September, California has lost less than its share. During September, October and November, California lost 7.7 percent of the jobs lost in the nation (2.7 percent in September, 8.7 percent in October, and 7.8 percent in November).

Declining employment in two industry sectors, manufacturing and professional and business services, largely explained the state's better performance. For both sectors, the acceleration in job losses during the most recent three months was much more dramatic for the nation. During the first seven months of 2008, California employment in these sectors declined 0.1 percent from the same months of 2007. The loss rate rose to 0.9 percent during September through November. In contrast, national employment fell 0.8 percent during the first seven months and then raced up to 2.8 percent thereafter.



## BUILDING ACTIVITY

### Home building posts mixed results

Home building had mixed results in November as multi-family building showed some welcome signs of life. A burst of multi-family permitting boosted total residential activity to its highest level since the beginning of 2008, a seasonally adjusted annual rate of 69,884 units. Multi-family permitting surged to 46,500 units, a 51 percent gain from October and more than double its year-ago pace. In the single-family sector, permits slowed to a dismal pace of 23,300 units—a new low according to data that reaches back to 1973. Total residential permits were down over 9 percent from a year earlier.

New home permitting during the first 11 months of 2008 was down 42.1 percent from the same months of 2007.

### More slowing for nonresidential construction

Nonresidential construction continued to slow in November, posting its fifth consecutive month-to-month decline. November was also the weakest month since February 2004. Nonresidential construction permitting was down 36.8 percent from a year earlier. For the first 11 months of 2008 as a whole, nonresidential permitting was down 12.5 percent from the same months of 2007. Severe slowing of office, hotel/motel, and retail construction accounted for most of the reduction.

## REAL ESTATE

### Ambiguous real estate news

After seven consecutive month-over-month gains, existing home sales retreated in November. Sales of existing, single-family detached homes totaled 514,710 units at a seasonally adjusted annualized rate. However, this pace was still up over 83 percent from November 2007. Meanwhile, home prices continued to weaken. The median price of existing, single-family homes sold in November was \$285,680, down 42 percent from a year earlier and down 5 percent from October 2008.

***Manufacturing and business service employment deteriorated more dramatically for the nation as a whole than in California.***

Other residential real estate market indicators were mixed in November. After steadily improving for nine months, the California Association of Realtors' unsold inventory index<sup>1</sup> jumped to 6.9 months from 5.9 months in October. On a positive note, the time needed to sell a home improved in November. The median number of days needed to sell an existing single-family home slid to 44.3 days, a 28.1 percent improvement from a year earlier.

## ECONOMIC FORECAST UPDATE

*The following is from the Governor's 2009-10 Budget. The forecasts were prepared in November 2008 and are based on information available at that time.*

Falling home prices, worsening credit availability, shrinking equity values, and growing job losses delivered a crushing blow to the national and California economies in 2008. Consumer and business spending — the core of both economies — plunged during the year. Looking back, the committee of economists that officially dates the troughs and peaks of the national economy decided in late 2008 that the U.S. was in recession and has been since December 2007. While there is no official dating of business cycles for states, it is unlikely that the California economy fared better than the national economy in this difficult environment.

Despite several efforts by the U.S. Treasury, the Federal Reserve, Congress, and the White House to stimulate the national economy and free up credit in 2008, credit appeared to be less available and economic output fell as 2008 unwound. Much more will have to be done in the first half of 2009 to stimulate the economy and free up credit. Economic output will likely fall in 2009 for the first time since 1991.

The outlook for the national economy is for negative growth in 2009, weak growth in 2010, and good growth in 2011:

- Real GDP is projected to fall 1.1 percent in 2009, and grow 1.7 percent in 2010 and 2.9 percent in 2011, as compared to the 1.3-percent growth in 2008.
- Nonfarm payroll employment is forecast to fall by 1.5 percent in 2009, and grow 0.1 percent in 2010 and 1.3 percent in 2011, as compared to a decline of 0.1 percent in 2008.

The outlook for the California economy is also for negative growth in 2009, followed by weak growth in 2010, and better growth in 2011:

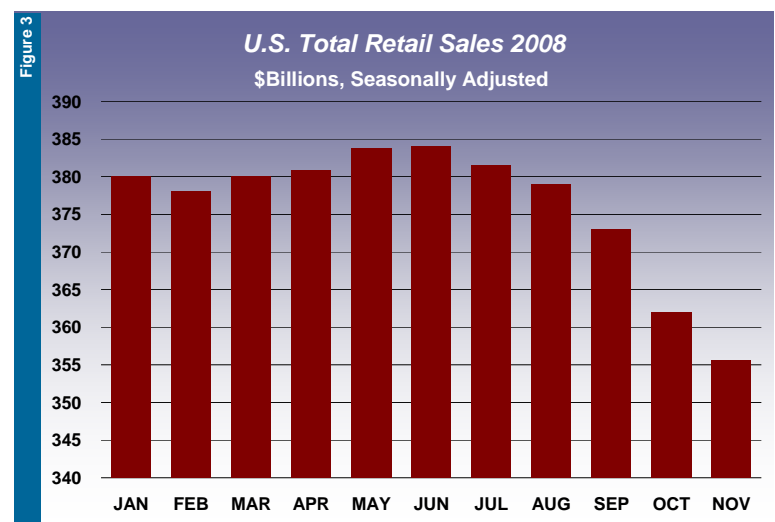
- Personal income is projected to grow 2 percent in 2009, 2.1 percent in 2010, and 4.6 percent in 2011, as compared to 3.7 percent in 2008.
- Nonfarm payroll employment is forecast to fall by 1.6 percent in 2009 and 0.5 percent in 2010, and grow 1.4 percent in 2011, as compared to a 0.6-percent decline in 2008.

## THE NATION — IN A WORSENING RECESSION

What started as a housing sector slump in 2005 turned into a generalized economic slump in 2008. Most major industry sectors were affected by year-end, most notably retail trade and manufacturing. Consumers pulled back considerably in the second half of 2008, as evidenced by a string of five consecutive monthly declines in retail sales as of November (Figure 3). Total consumer expenditures, adjusted for inflation, fell for the fifth consecutive month in October.

With consumers cutting back, companies have reduced their spending on new equipment and structures. Shipments of and orders for non-defense capital goods, excluding aircraft, plunged in the three months ending in October 2008. In addition, the Institute for Supply Management's manufacturing index fell in November to its lowest level since May 1982 — a level that is consistent with recessions in the manufacturing sector and the general economy.

In the meantime, the nation's housing sector continued to



<sup>1</sup> The number of months needed to deplete the supply of homes on the market at the current sales rate.

struggle. Housing starts fell in November to their lowest level since records began to be kept in 1959. New home sales remained very low and mortgages difficult to get. Residential construction continues to be a sizable drag on overall growth in the national economy.

The continuing problems in the housing sector, the cooling of the manufacturing sector and, particularly, the cutback in spending by consumers have slowed the national economy considerably. The economy has been in recession for 12 months, and should it remain there for another five months, it would be the longest recession in the post-World War II era. Economic output fell slightly in the fourth quarter of 2007 and the third quarter of 2008, but the monthly data on the fourth quarter of 2008 suggest that economic output fell sharply in the fourth quarter.

Data from the labor markets also portray a worsening recession. Nonfarm payroll employment peaked in December 2007 and has declined every month since then. In addition, nonfarm payroll employment was 0.8 percent higher in December 2007 than a year earlier, while in November 2008, nonfarm payroll employment was 1.4 percent below a year earlier. Also, the national unemployment rate rose from 5 percent in December 2007 to 6.7 percent in November 2008.

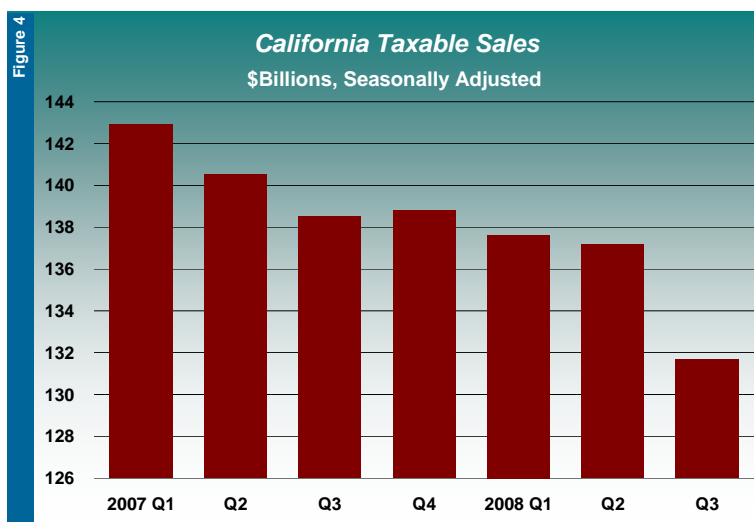
## CALIFORNIA — FACING A SIMILAR CHALLENGE

The California economy decelerated in step with the national economy during 2008. According to the U.S. Commerce Department, total personal income grew more slowly in the second half than in the first half of 2008. The deceleration in taxable sales has been even faster, with third quarter 2008 sales 4 percent lower than second-quarter sales (Figure 4). Deceleration in new vehicle registrations started earlier — in 2007.

The state's monthly job losses have grown as 2008 has progressed. Through November, California lost 147,400 jobs, or 13,400 jobs per month. But in the first five months of the year, the average monthly loss was 5,200 jobs, whereas in the next six months, the average loss was 20,300. The state's unemployment rate rose from 5.9 percent in January to 8.4 percent in November.

The state's housing sector, however, does not show many signs of additional slowing. In part, that is because the downturn started there. Residential permits, for example, have stabilized at low levels, and monthly construction job losses have become smaller. Sales of existing homes have picked up considerably, but distressed properties are accounting for a good number of those sales. Still, sales of non-distressed existing homes will likely be higher in 2008 than in 2007.

Private-sector nonresidential building is slowing and will be down considerably from 2007. The value of permits fell every month from July to November.



## THE FORECAST

The California and national economies will enter 2009 with very little, if any, momentum. As a result, the two economies are likely to be very weak in the first half of the year. How long it will be before the economies will be healthy again is difficult to gauge. The economies are not likely to improve much until credit becomes much more available (Figure 5).

## Selected Economic Data for 2008, 2009, and 2010

United States	2008 (Est.)	2009 (Projected)	2010 (Projected)
Real gross domestic product (2000 CW* \$, percent change)	1.3	(1.1)	1.7
Personal consumption expenditures	0.4	0.1	1.8
Gross private domestic investment	(6.1)	(15.6)	10.7
Government purchases of goods and services	2.6	0.3	(0.3)
GDP deflator (2000=100, percent change)	2.4	1.8	1.3
GDP (current dollar, percent change)	3.7	0.8	3.1
Federal funds rate (percent)	2.04	0.50	1.20
Personal income (percent change)	4.2	2.1	2.4
Corporate profits before taxes (percent change)	(13.9)	2.5	10.1
Nonfarm wage and salary employment (millions)	137.5	135.4	135.6
(percent change)	(0.1)	(1.5)	0.1
Unemployment rate (percent)	5.7	7.7	8.2
Housing starts (millions)	0.93	0.71	1.08
(percent change)	(30.9)	(23.8)	52.8
New car sales (millions)	6.8	6.8	7.5
(percent change)	(10.2)	(1.0)	10.6
Consumer price index (1982-84=100)	216.0	218.2	222.3
(percent change)	4.2	1.0	1.9
<b>California</b>			
Civilian labor force (thousands)	18,415.2	18,570.4	18,783.1
(percent change)	1.2	0.8	1.1
Civilian employment (thousands)	17,115.2	16,876.7	17,010.0
(percent change)	(0.5)	(1.4)	0.8
Unemployment (thousands)	1,299.9	1,693.7	1,773.1
(percent change)	32.8	30.3	4.7
Unemployment rate (percent)	7.1	9.1	9.4
Nonfarm wage and salary employment (thousands)	15,093.3	14,859.1	14,791.3
(percent change)	(0.6)	(1.6)	(0.5)
Personal income (billions)	1,576.8	1,608.7	1,642.9
(percent change)	3.7	2.0	2.1
Housing units authorized (thousands)	65.3	56.9	80.9
(percent change)	(41.9)	(12.9)	42.2
Corporate profits before taxes (billions)	169.1	164.5	179.9
(percent change)	(6.8)	(2.8)	9.3
New auto registrations (thousands)	1,422.3	1,513.4	1,521.0
(percent change)	(8.4)	6.4	0.5
Total taxable sales (billions)	535.0	503.0	521.4
(percent change)	(4.5)	(6.0)	3.7
Consumer price index (1982-84=100)	225.6	229.2	234.6
(percent change)	3.8	1.6	2.3

\* CW : Chain Weighted

Note: Percentage changes calculated from unrounded data.

# Select Indicators

	2007	2008				Year-Over % Change
	Dec	Sep	Oct	Nov	Dec	
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	17,240	17,067	17,052	17,017	16,917	-1.9%
Unemployment (000)	1,079	1,431	1,530	1,567	1,732	60.4%
Unemployment rate	5.9	7.7	8.2	8.4	9.3	--
Nonagricultural wage and salary employment (000) a/	15,171.0	15,093.1	15,065.3	14,991.8	14,913.6	-1.7%
Goods-producing industries	2,333.6	2,263.4	2,252.3	2,221.8	2,195.4	-5.9%
Natural resources and mining	25.5	26.9	27.0	26.9	26.6	4.3%
Construction	856.0	805.0	799.4	780.0	763.4	-10.8%
Manufacturing	1,452.1	1,431.5	1,425.9	1,414.9	1,405.4	-3.2%
Service-providing industries	12,837.4	12,829.7	12,813.0	12,770.0	12,718.2	-0.9%
Trade, transportation, and utilities	2,908.3	2,883.8	2,869.7	2,841.3	2,815.9	-3.2%
Information	475.0	473.8	473.4	476.5	468.8	-1.3%
Financial activities	887.1	865.2	863.1	860.3	857.0	-3.4%
Professional and business services	2,276.4	2,272.0	2,268.1	2,260.5	2,252.0	-1.1%
Educational and health services	1,686.6	1,726.1	1,730.3	1,735.9	1,738.2	3.1%
Leisure and hospitality	1,561.9	1,563.2	1,559.8	1,550.1	1,543.3	-1.2%
Other services	518.7	515.2	514.3	514.5	513.6	-1.0%
Government	2,523.4	2,530.4	2,534.3	2,530.9	2,529.4	0.2%
Federal government	245.6	247.3	250.3	247.6	247.0	0.6%
State and local government	2,277.8	2,283.1	2,284.0	2,283.3	2,282.4	0.2%
High-technology industries b/	875.0	872.3	868.4	868.1	865.6	-1.1%
Computer and electronic products manufacturing	306.4	304.8	303.1	302.2	301.1	-1.7%
Aerospace products and parts manufacturing	71.6	71.2	71.1	71.3	71.4	-0.3%
Software publishers	43.8	43.4	43.1	43.0	42.5	-3.0%
Telecommunications	122.9	120.7	119.0	119.0	118.5	-3.6%
Internet service providers, web portals and data processing	21.6	20.9	20.6	20.6	20.2	-6.5%
Computer systems design	201.7	202.9	202.7	202.9	202.6	0.4%
Scientific research and development	107.0	108.4	108.8	109.1	109.3	2.1%
<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	40.8	40.7	40.7	40.6	40.8	0.0%
Average weekly earnings	\$669.53	\$685.80	\$688.24	\$692.64	\$705.02	5.3%
Average hourly earnings	\$16.41	\$16.85	\$16.91	\$17.06	\$17.28	5.3%
<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	219.6	NA	226.6	NA	219.8	0.1%
San Francisco CMSA	218.5	NA	225.8	NA	218.5	0.0%
Los Angeles CMSA	219.4	227.4	226.2	222.2	219.6	0.1%
Urban Wage Earners and Clerical Workers Series						
California Average	212.6	NA	219.2	NA	211.5	-0.5%
San Francisco CMSA	214.2	NA	221.2	NA	213.7	-0.2%
Los Angeles CMSA	212.3	220.3	218.7	214.1	211.0	-0.6%
<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) c/	97	57	51	72	56	-42.4%
Single units	53	31	30	24	27	-49.0%
Multiple units	44	26	21	48	29	-34.5%
Residential building authorized valuation (millions) d/	\$26,579	\$16,753	\$15,789	\$17,058	\$16,323	-38.6%
Nonresidential building authorized valuation (millions) d/	\$26,523	\$17,176	\$15,694	\$14,972	\$13,771	-48.1%
Nonresidential building authorized valuation (millions) e/	\$1,945	\$1,487	\$1,362	\$1,041	\$1,142	-41.3%
Commercial	839	450	349	239	296	-64.7%
Industrial	104	67	78	15	32	-69.5%
Other	256	289	228	188	193	-24.8%
Alterations and additions	746	681	707	599	621	-16.7%
<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	132,275	103,290	96,318	80,972	NA	--
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

**Select Indicators (continued)**

OFFICE VACANCY AND INDUSTRIAL AVAILABILITY RATES, FOURTH QUARTER 2007									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		4Q08	4Q07	4Q08	4Q07	4Q08	4Q07	4Q08	4Q07
Northern and Central California:									
Oakland		11.7	11.4	14.5	13.2	13.9	12.8	NA	NA
Sacramento		11.3	13.5	17.6	14.5	16.3	14.0	9.8	10.5
San Francisco		12.6	8.4	14.3	9.5	13.2	8.7	12.0	10.2
San Jose		18.4	13.3	14.3	10.6	15.2	11.2	NA	NA
Southern California:									
Los Angeles Metro		14.4	13.2	10.1	8.7	10.7	9.4	9.9	7.4
Orange County		NA	NA	17.4	14.2	17.4	14.2	11.7	6.5
San Diego		14.6	13.4	18.9	14.3	18.2	14.1	10.6	11.1
Ventura County		NA	NA	20.7	13.2	20.7	13.2	NA	NA
National Average									
		11.7	10.3	16.3	14.2	14.7	12.8	12.1	10.2
SALES OF EXISTING SINGLE-FAMILY HOMES				FOREIGN TRADE THROUGH CALIFORNIA PORTS		DOD PRIME CONTRACTS a/			
				Exports	Imports				
		Median Price	Units (SAAR)	(\$ millions)			\$ millions	% of U.S.	
2004	Jan	\$404,463	615,659	\$9,062	\$19,996	1993-94	22,573	20.5%	
	Feb	391,550	589,220	9,536	18,011	1994-95	18,277	16.8%	
	Mar	428,060	590,220	11,420	22,589	1995-96	18,230	16.7%	
	Apr	452,680	640,710	10,249	21,722	1996-97	18,477	17.3%	
	May	463,320	632,380	10,460	21,760	1997-98	17,401	15.9%	
	Jun	468,050	633,660	10,481	23,971	1998-99	17,372	15.1%	
	Jul	462,145	639,910	10,388	24,162	1999-00	18,100	14.7%	
	Aug	473,520	591,150	10,118	24,127	2000-01	19,939	14.7%	
	Sep	463,630	626,210	10,446	23,974	2001-02	23,816	15.0%	
	Oct	459,530	639,571	10,460	25,279	2002-03	28,681	15.0%	
	Nov	471,980	652,340	9,792	25,769	2003-04	27,875	13.7%	
	Dec	474,270	645,860	10,628	22,863	2004-05	31,065	13.1%	
2005	Jan	\$484,580	659,410	\$9,405	\$22,776	2005-06	32,126	12.5%	
	Feb	470,920	608,160	9,756	21,738				
	Mar	496,550	634,700	11,390	23,735				
	Apr	509,630	658,060	10,356	24,337				
	May	522,590	618,920	10,882	24,774				
	Jun	542,330	656,310	11,108	26,153				
	Jul	539,840	647,910	10,828	26,452				
	Aug	567,320	632,240	11,166	26,452				
	Sep	543,510	650,780	10,825	28,012				
	Oct	538,770	621,530	11,371	28,847				
	Nov	548,680	579,560	11,194	27,030				
	Dec	547,400	531,910	11,709	26,024				
2006	Jan	\$549,460	500,470	\$10,848	\$25,555				
	Feb	534,400	513,740	10,791	23,004				
	Mar	562,130	539,170	13,336	27,722				
	Apr	562,380	516,960	11,991	27,005				
	May	563,860	488,260	12,306	28,090				
	Jun	575,850	483,690	12,664	29,621				
	Jul	567,860	453,980	12,255	29,990				
	Aug	577,300	442,150	12,720	31,550				
	Sep	557,150	444,780	12,567	30,608				
	Oct	552,020	443,320	12,913	32,200				
	Nov	554,500	450,930	12,676	29,747				
	Dec	569,350	452,060	12,756	28,396				
2007	Jan	\$551,220	446,820	\$12,325	\$28,025				
	Feb	554,280	480,170	11,717	26,183				
	Mar	582,930	422,300	13,954	27,815				
	Apr	594,110	357,460	12,360	28,049				
	May	594,530	358,640	13,283	28,734				
	Jun	591,280	357,890	13,864	29,961				
	Jul	587,560	341,130	12,837	30,537				
	Aug	588,670	313,310	13,527	31,206				
	Sep	535,760	255,340	13,375	30,962				
	Oct	517,240	254,650	14,511	33,415				
	Nov	490,511	280,920	13,483	31,767				
	Dec	480,820	294,520	14,313	29,615				
2008	Jan	\$429,790	313,580	\$13,016	\$28,280				
	Feb	419,640	343,220	13,664	27,306				
	Mar	414,640	318,830	14,868	27,996				
	Apr	403,870	366,720	14,308	29,907				
	May	384,840	423,700	15,023	30,640				
	Jun	367,130	424,180	15,800	31,269				
	Jul	350,890	489,080	15,992	33,976				
	Aug	350,140	490,850	15,206	31,892				
	Sep	316,960	504,795	14,545	31,994				
	Oct	301,740	552,750	14,485	32,308				
	Nov	286,850	514,240	12,290	26,322				
	Dec	281,100	544,580	11,397	24,082				
a/ U.S. fiscal year: October through September				NA Not available					

# Leading Indicators <sup>a/</sup>

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2004	Jan	4.0	40.0	50,262	8,219	204.0
	Feb	3.9	40.2	50,215	8,570	205.1
	Mar	4.2	40.2	48,845	8,395	208.9
	Apr	4.4	39.9	48,663	8,549	202.7
	May	4.4	40.4	46,437	7,950	202.5
	Jun	4.2	39.9	49,581	8,778	209.5
	Jul	4.4	40.1	48,549	8,524	195.9
	Aug	4.2	40.1	47,823	8,404	223.5
	Sep	4.1	39.3	47,338	8,804	210.9
	Oct	4.2	39.7	47,295	8,045	210.4
	Nov	4.4	39.9	47,341	8,980	249.1
	Dec	4.5	39.9	48,188	8,970	226.5
2005	Jan	4.5	40.2	50,011	5,986	204.8
	Feb	4.5	40.0	46,613	8,933	195.6
	Mar	4.4	40.0	45,084	9,290	215.7
	Apr	4.5	40.0	43,844	9,586	204.7
	May	4.3	40.0	43,211	9,353	217.6
	Jun	4.3	39.6	42,341	9,275	213.7
	Jul	4.3	39.8	41,141	9,022	230.5
	Aug	4.7	39.9	41,131	9,290	194.5
	Sep	4.5	40.0	41,437	9,154	269.9
	Oct	4.4	40.5	39,984	8,592	191.0
	Nov	4.3	39.9	39,978	9,075	198.2
	Dec	4.2	39.4	41,352	9,017	178.7
2006	Jan	4.3	40.2	41,651	9,158	190.1
	Feb	4.5	40.3	38,711	8,646	210.0
	Mar	4.4	40.1	42,336	9,641	168.9
	Apr	4.3	40.2	43,184	8,478	180.5
	May	4.4	40.2	42,531	9,323	156.3
	Jun	4.4	40.4	40,533	8,598	200.3
	Jul	4.3	40.4	42,662	8,241	141.0
	Aug	4.1	40.1	42,949	9,203	151.8
	Sep	4.0	40.2	42,154	8,512	151.0
	Oct	4.2	40.5	42,070	8,878	141.6
	Nov	4.1	40.3	43,305	9,107	134.9
	Dec	4.2	40.8	45,290	8,648	141.1
2007	Jan	4.1	40.5	42,735	9,223	142.0
	Feb	3.9	40.2	42,805	8,836	124.4
	Mar	3.9	40.3	43,454	8,773	143.7
	Apr	3.9	40.5	43,033	8,354	124.9
	May	4.1	40.5	44,729	8,552	115.7
	Jun	4.1	40.6	45,168	8,835	99.6
	Jul	4.0	40.8	45,494	8,536	115.7
	Aug	4.1	40.7	46,201	9,512	120.2
	Sep	4.1	40.7	46,601	8,368	88.4
	Oct	4.1	40.6	49,039	8,864	99.4
	Nov	3.9	40.6	48,732	9,393	77.0
	Dec	3.8	40.4	49,154	8,224	96.6
2008	Jan	3.8	40.4	50,132	7,996	69.9
	Feb	3.9	40.7	47,190	8,768	77.1
	Mar	4.0	40.9	50,184	7,670	53.0
	Apr	4.2	41.2	51,874	8,578	73.1
	May	3.8	40.8	51,928	8,108	80.3
	Jun	3.9	40.7	54,387	7,970	71.8
	Jul	4.0	40.9	60,609	7,983	65.4
	Aug	3.9	40.5	63,198	7,123	55.1
	Sep	3.9	40.5	62,757	7,644	57.4
	Oct	3.7	40.6	66,616	7,368	50.9
	Nov	3.3	40.5	72,541	6,279	71.8
	Dec	3.4	40.4	74,143	6,878	55.6
a/ Seasonally adjusted by the California Department of Finance.						



# Coincident Indicators <sup>a/</sup>

		Nonagricultural	Manufacturing	Unemployment	Unemployment
		Employment	Employment	Rate	Avg. Weeks Claimed
		(Thousands)	(Thousands)	(Percent)	(Thousands)
2005	Jan	14,651	1,524	5.9	400
	Feb	14,685	1,520	5.7	393
	Mar	14,695	1,515	5.5	385
	Apr	14,747	1,517	5.5	371
	May	14,739	1,512	5.5	366
	Jun	14,750	1,510	5.5	374
	Jul	14,808	1,519	5.3	359
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	337
	Oct	14,895	1,512	5.2	345
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	325
2006	Jan	14,957	1,511	5.1	337
	Feb	14,999	1,511	4.9	335
	Mar	14,994	1,508	4.9	343
	Apr	14,984	1,503	5.0	358
	May	15,030	1,503	4.9	336
	Jun	15,060	1,501	4.9	335
	Jul	15,085	1,501	4.8	342
	Aug	15,110	1,499	4.9	339
	Sep	15,122	1,500	4.8	339
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	348
	Dec	15,213	1,507	4.8	348
2007	Jan	15,136	1,476	5.0	357
	Feb	15,159	1,473	5.0	358
	Mar	15,178	1,470	5.0	349
	Apr	15,139	1,466	5.2	359
	May	15,162	1,465	5.3	368
	Jun	15,172	1,464	5.3	353
	Jul	15,193	1,467	5.4	371
	Aug	15,182	1,459	5.5	372
	Sep	15,170	1,457	5.6	395
	Oct	15,168	1,457	5.7	401
	Nov	15,160	1,454	5.7	381
	Dec	15,171	1,452	5.9	427
2008	Jan	15,142	1,450	5.9	418
	Feb	15,165	1,447	5.7	408
	Mar	15,163	1,448	6.2	455
	Apr	15,154	1,446	6.2	476
	May	15,145	1,442	6.8	460
	Jun	15,132	1,437	7.0	465
	Jul	15,117	1,433	7.4	489
	Aug	15,104	1,430	7.7	515
	Sep	15,093	1,432	7.7	548
	Oct	15,065	1,426	8.2	561
	Nov	14,992	1,415	8.4	555
	Dec	14,914	1,405	9.3	656
		Personal	Wages &		
		Income b/	Salaries b/	Taxable Sales c/	
		(\$ millions)	(\$ millions)	(\$ millions)	
2005	Qtr I	\$1,306,682	\$718,796	\$128,441	
	Qtr II	1,326,949	727,834	132,901	
	Qtr III	1,357,686	745,753	137,349	
	Qtr IV	1,380,012	754,147	137,712	
2006	Qtr I	\$1,420,391	\$778,455	\$138,577	
	Qtr II	1,432,731	773,802	139,688	
	Qtr III	1,454,902	785,504	140,779	
	Qtr IV	1,473,240	798,945	140,528	
2007	Qtr I	\$1,491,280	\$813,746	\$142,917	
	Qtr II	1,510,395	821,086	140,544	
	Qtr III	1,529,991	828,135	138,526	
	Qtr IV	1,547,832	839,164	139,341	
2008	Qtr I	\$1,548,576	\$838,260	\$137,625	
	Qtr II	1,575,481	845,157	137,192	
	Qtr III	1,579,156	848,917	131,684	
a/ Seasonally adjusted.					
b/ Estimates by the U.S. Bureau of Economic Analysis.					
c/ Taxable sales estimates for 2008 are preliminary.					

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

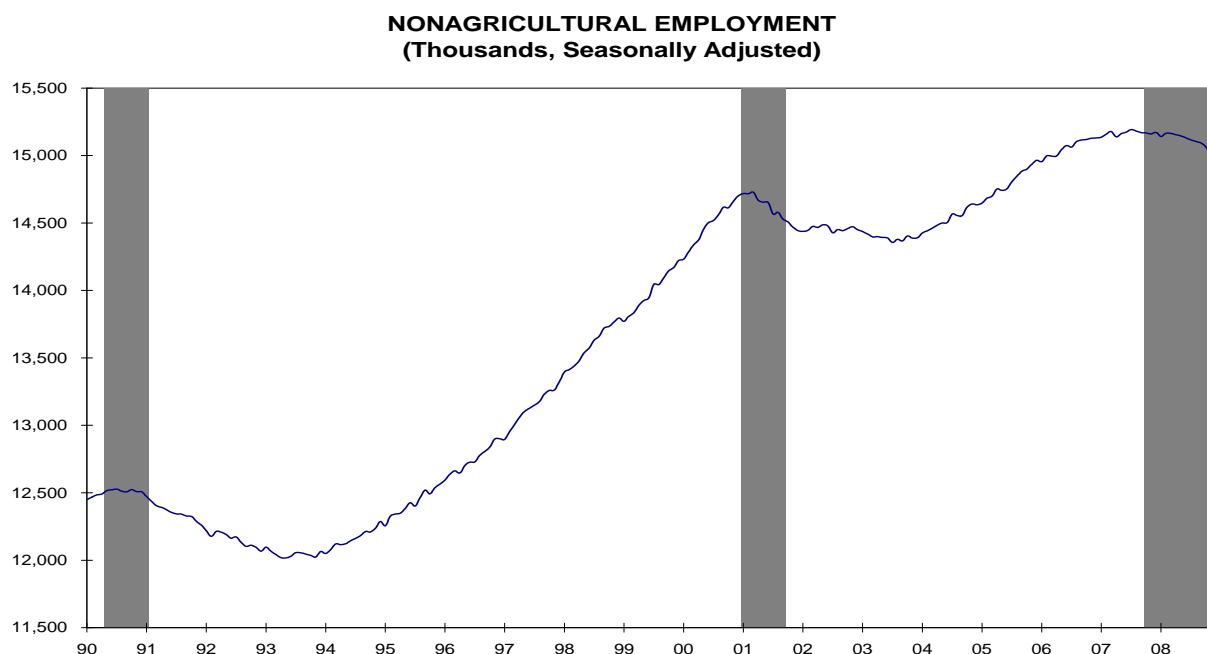
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

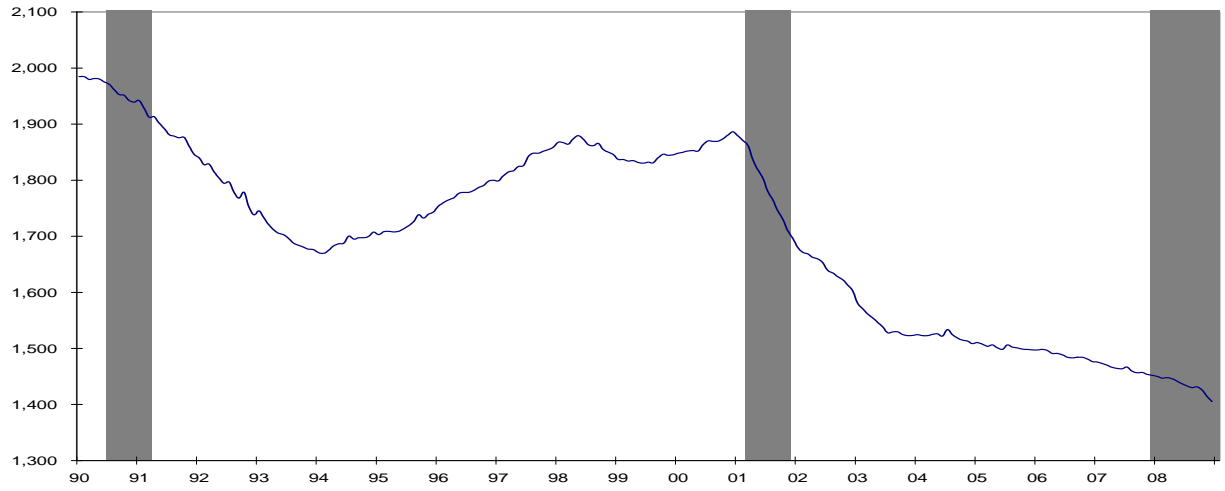
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

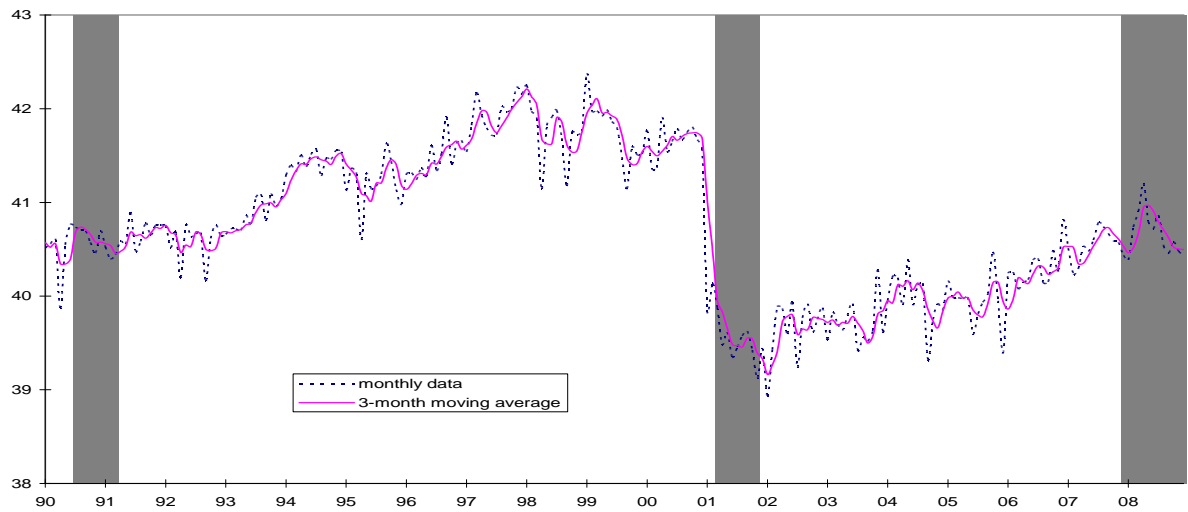
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



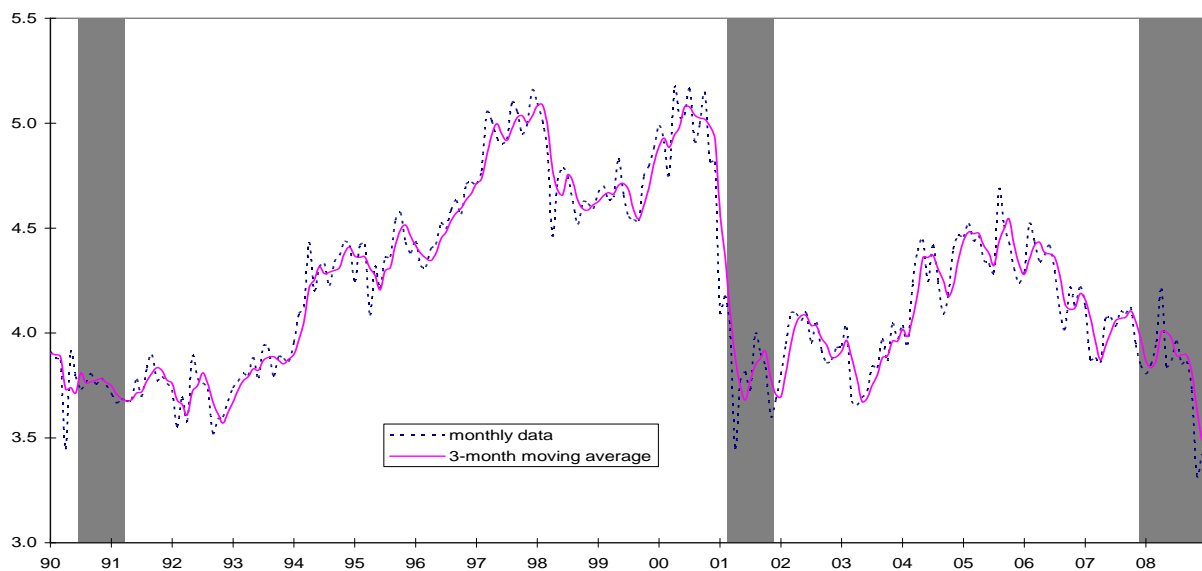
**MANUFACTURING EMPLOYMENT**  
(Thousands, Seasonally Adjusted)

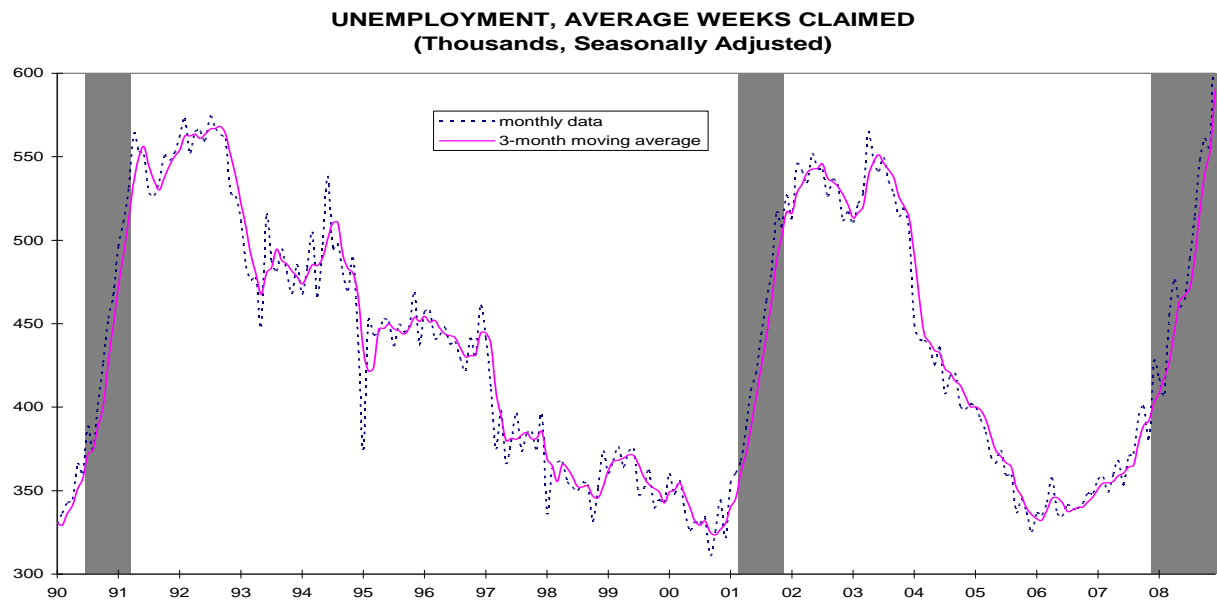
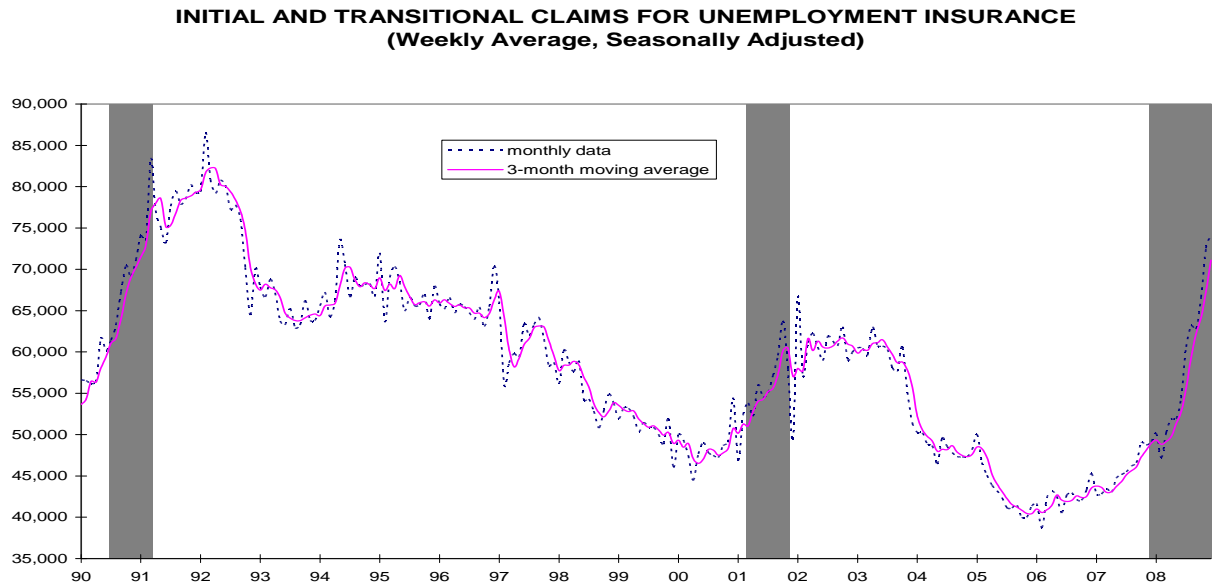
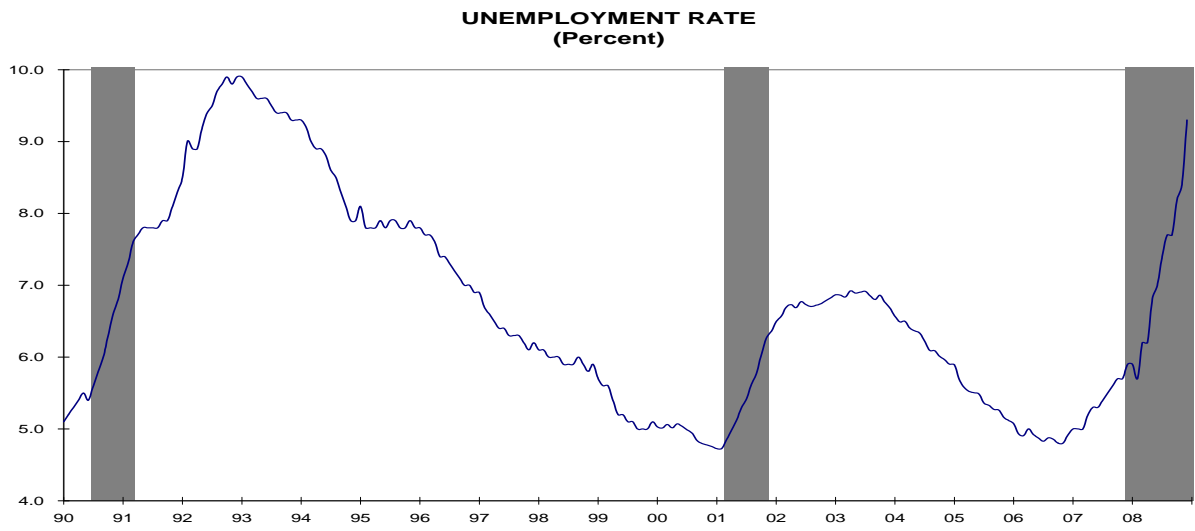


**AVERAGE WEEKLY HOURS, MANUFACTURING**  
(Seasonally Adjusted)

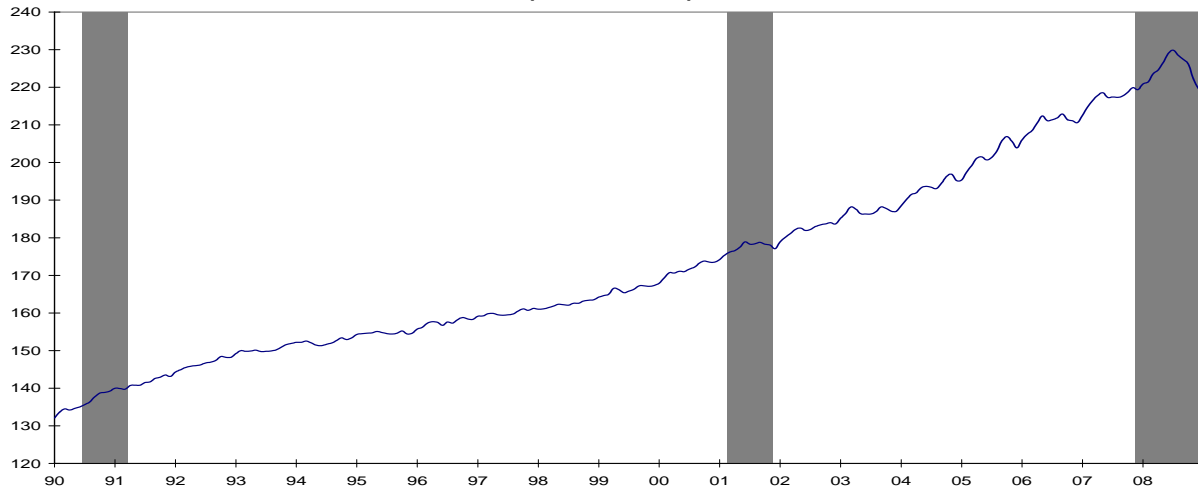


**AVERAGE OVERTIME HOURS, MANUFACTURING**  
(Seasonally Adjusted)

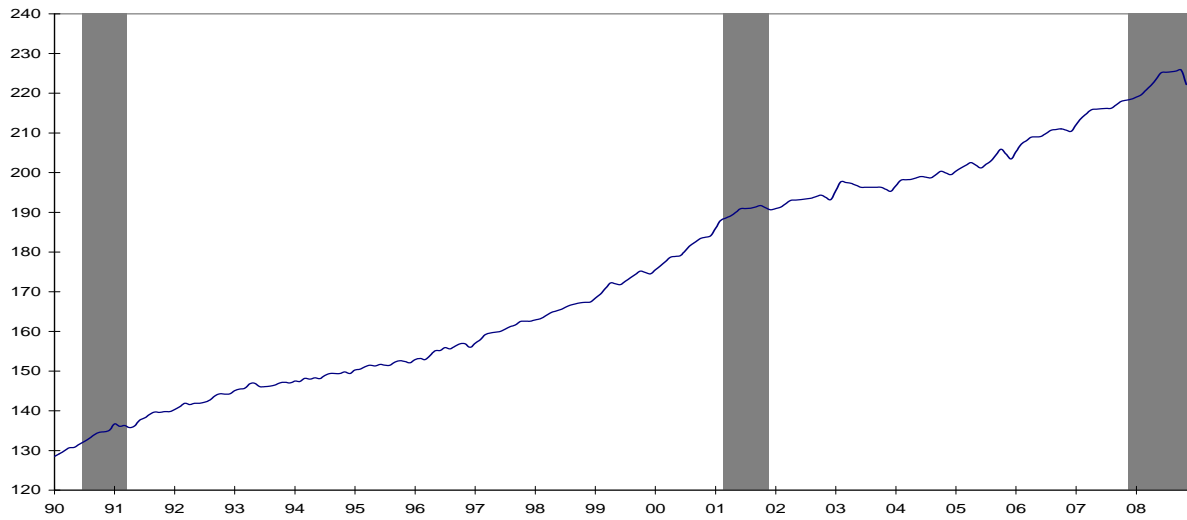




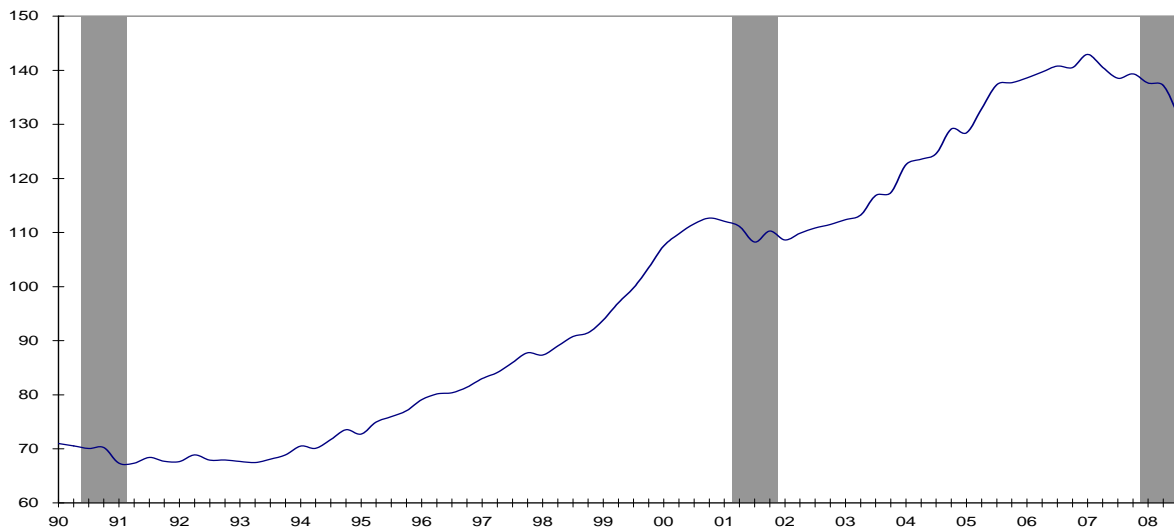
**CONSUMER PRICE INDEX, LOS ANGELES  
(1982-84=100)**



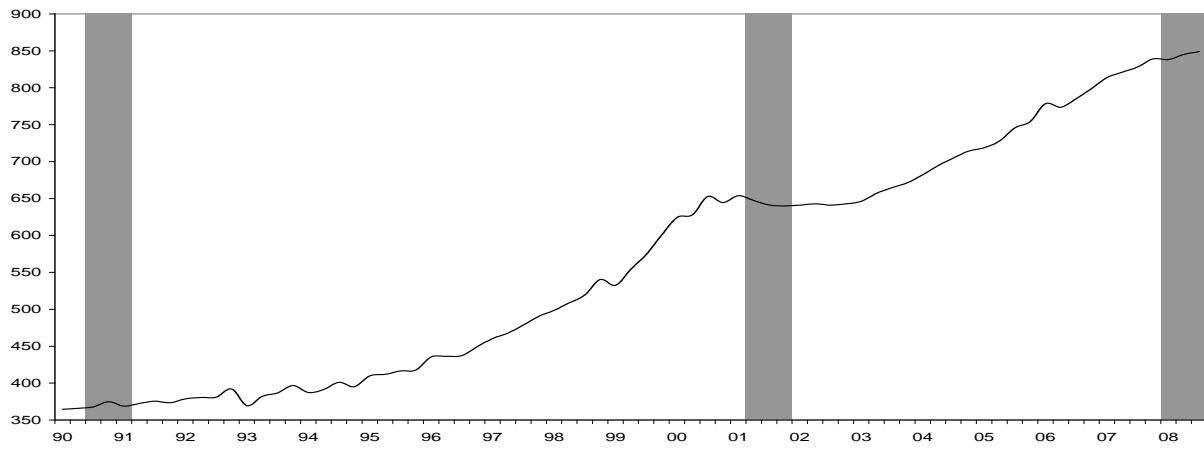
**CONSUMER PRICE INDEX, SAN FRANCISCO  
(1982-84=100)**



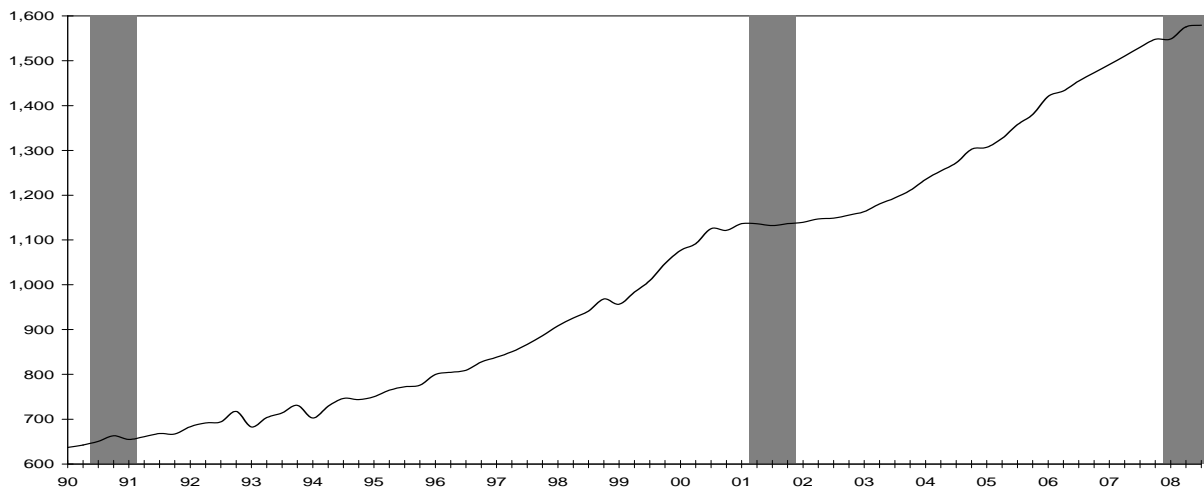
**TAXABLE SALES  
(\$ Billions, Seasonally Adjusted)**



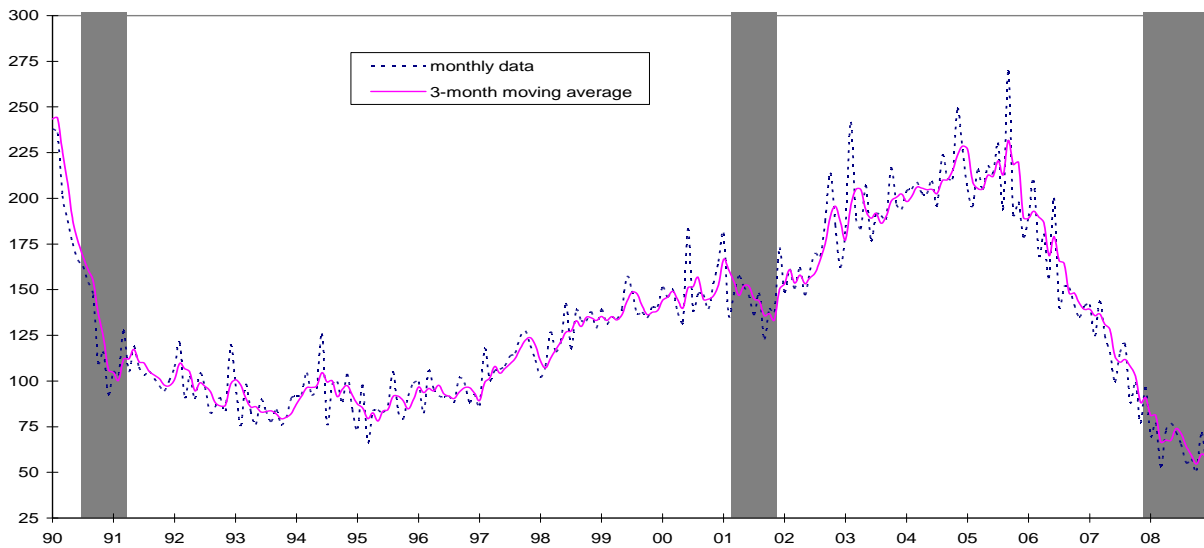
**TOTAL WAGES AND SALARIES**  
(\$ Billions, Seasonally Adjusted)



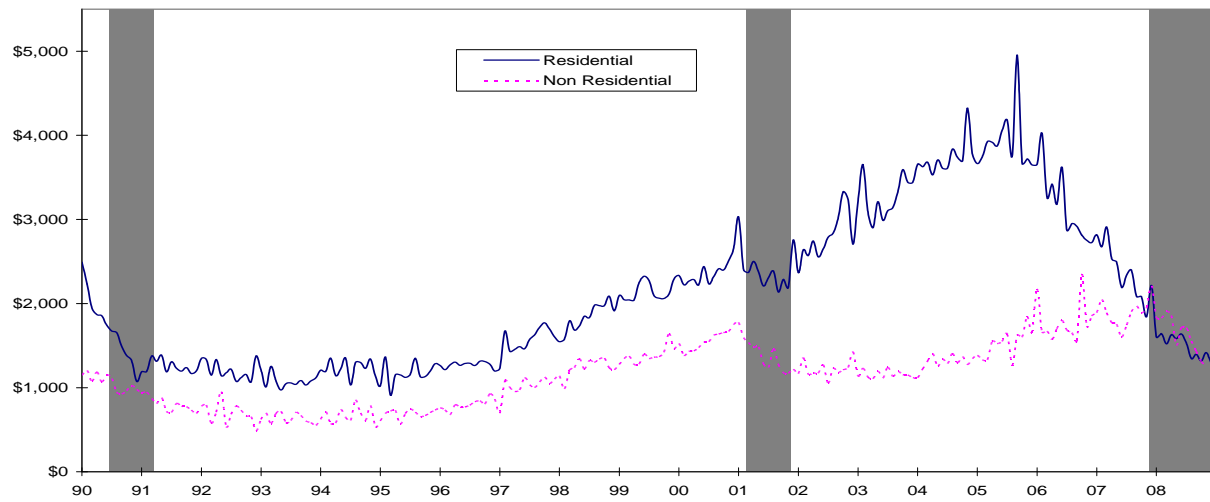
**PERSONAL INCOME**  
(\$ Billions, Seasonally Adjusted)



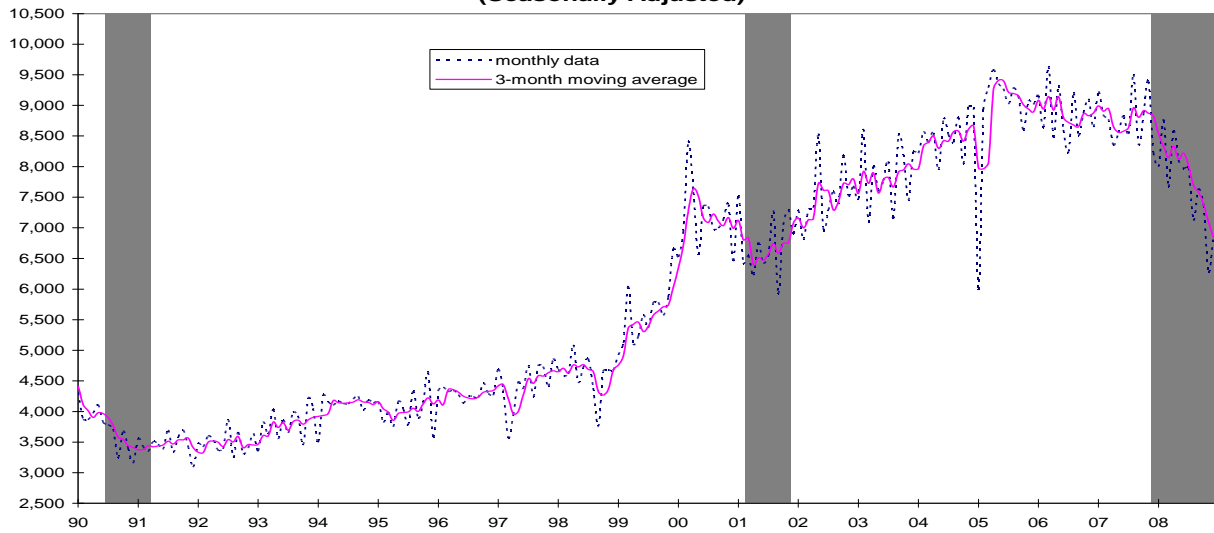
**NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS**  
(Thousands, Seasonally Adjusted At Annual Rate)



**RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION**  
(Dollars In Millions, Seasonally Adjusted At Annual Rate)



**NEW BUSINESS INCORPORATIONS**  
(Seasonally Adjusted)



# REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128
Nov.	2001	Dec.	2007			73		



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

### ---2007---

January 1	California minimum wage increased to \$7.50 per hour from \$6.75.
January 11	Vietnam becomes WTO member.
Mid-January	Freezing temperatures in California caused some \$1.3 billion in crop losses.
January 25-26	Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
February	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
February 21	Rising default rates hitting subprime mortgage industry hard.
February 27	Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
February 28	GDP grew at a 2.2 percent pace in the 4 <sup>th</sup> quarter –a considerably weaker rate than what the government first estimated.
March 2	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
March 14	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
March 29	Fourth quarter GDP revised upwards to 2.5 percent.
April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.

May 4	US payroll job growth slowest since 2004.  The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate target reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires.
October 31	Federal funds rate target reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.

November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

### ---2008---

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 21-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.
March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.

March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent.  First quarter GDP increased at an annual rate of 0.6 percent.
July 6	Extended unemployment insurance benefits begin.
July 11	IndyMac Bank seized by federal regulators.
July 30	President Bush signs housing rescue law.
August 8	Georgia-Russia conflict escalates.
August 28	Second quarter GDP increased at an annual rate of 3.3 percent.
September 1	Hurricane Gustav strikes land west of New Orleans.
September 7	The U.S. government takes over Fannie Mae and Freddie Mac.
September 13	Hurricane Ike hits Texas.
September 14	Merrill Lynch sold to Bank of America.
September 15	Lehman Brothers files for bankruptcy protection.
September 17	The Federal Reserve loans \$85 billion to American International Group (AIG).
September 19	Treasury to provide temporary guarantees for money market mutual funds.
September 23	Governor Schwarzenegger signs record-late state budget.
September 25	Washington Mutual was seized by the FDIC, and its banking assets were sold to JP MorganChase.
September 26	Second quarter GDP increased at an annual rate of 2.8 percent.
September 29	Citigroup buys banking operations of Wachovia.
October 1	Financial crisis spreads to Europe.

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law.  Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7	Fed makes emergency move to lend around \$1.3 trillion directly to companies.
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.
November 3	Boeing machinists' 57-day strike ends.
November 15-	Wildfires burn five Southern California counties.
November 17	Japan is officially in recession.
November 24	The federal government approves plan to help Citigroup.
December 1	Recession in the US began in December 2007, according to NBER.
December 16	The Federal Reserve cut the federal funds rate target to a range of between zero percent and 0.25 percent.
December 17	OPEC to cut oil production starting January in a bid to prop up falling oil prices.
December 19	U.S. auto industry bailout approved.
December 23	Third quarter GDP decreased at an annual rate of 0.5 percent.
January 20	Barack Obama inaugurated as the 44th President of the U.S.
January 23	British economy is officially in recession.
February 3	S&P lowered California's bond rating to A from A+.
February 17	President Obama signed the \$787 billion economic stimulus package into law. The "American Recovery and Reinvestment Act of 2009" includes a variety of spending measures and tax cuts intended to promote economic recovery.
February 20	California Governor Arnold Schwarzenegger signs the 2009-10 state budget bill.

February 27

Fourth quarter GDP decreased at an annual rate of 6.2 percent.